

**Data Center Consolidation Hearing
State Capitol – Room 2040
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Introduction

Good morning, Mr. Chairman, and thank you for giving me the opportunity to appear before you and your colleagues. In my remarks, I would like to put the topic of data center consolidation into a broader context which may help answer the question, “why consolidate?”.

Consolidation is not something that we should be pursuing merely as an end in itself. After all, the savings from consolidating only two data centers is not likely to be all that dramatic, and there are substantial complexities and risks in consolidating the Teale and Health and Human Services Data Centers. For me, the reasons to consolidate these two data centers have more to do with the overall organization and architecture of the State’s information technology infrastructure than with a narrow focus only on these two data centers.

To explain what I mean, I need to set the broader context and vision for the State’s information technology program.

Mission and Goals for the State’s IT Program

Let’s start with a mission statement. The mission for the use and development of information technology in California State government is as follows:

The State will acquire, manage, develop and deploy its information technology resources to support responsive, cost-effective and secure State operations and to establish timely and convenient delivery of State services, benefits, and information to the public.

Our mission emphasizes responsiveness, cost-effectiveness, and security, and the timely and convenient delivery of services to the public.

For the next three to five years, I believe the State needs to concentrate its available resources to achieve **six major statewide goals** in support of this mission:

1. **Infrastructure Management.** The State will consolidate the management of common information technology infrastructures serving the Executive Branch to improve operations and security at reduced cost, using the private sector as a model and benchmark for organization and competitiveness.
2. **Secure Systems.** The State will adopt information technology architectures and acquire appropriate technologies to secure its information technology systems.
3. **Back Office Applications.** The State will begin to replace duplicative, conflicting, and legacy financial and human resources management systems with common sets of systems that are interoperable across all departments in State government.
4. **Smart Services.** The State will commence a customer-focused, technology-enabled transformation in government operations to provide timely, convenient, responsive and cost-effective services, benefits and information to the public.
5. **Organizational Capacity.** The State will develop and rebuild its information technology workforce to meet the challenges of supporting a large and complex public-sector organization in the 21st century.
6. **Governance.** To build public trust in the State's use and management of its information technology assets and to ensure a prudent use of taxpayer dollars, the State will establish an information technology governance structure to promote (a) successful and relevant strategic planning and decision-making, (b) oversight and alignment of information technology projects and operations to ensure consistency with strategic policies, (c) operational implementation by those most directly responsible for program performance, and (d) visible and open coordination, oversight and accountability.

Relation of Consolidation to Other Goals

Consolidation of the Teale and Health and Human Services Data Centers is most relevant to the first of my six goals, consolidation of the management of our information technology infrastructure. But it must be understood that these six goals are not independent of each other. As is so often true with information technology, there are complex interconnections between goals.

For example, better management of our IT infrastructure clearly supports the goal of making our systems more secure. Consolidation of our data centers, depending very much upon how it is accomplished, is in my view a necessary step in enabling us to pursue enterprise wide applications, including the development of modern back office systems and smart web-based services that serve the interests of the people and businesses of California.

Building our organizational capacity is of critical importance, particularly in our data centers where as much as 35-40% of the workforce will be turning over in the next three to five years. Consolidation will help us weather that workforce crisis, and we need to pay close attention to that capacity issue to make consolidation work.

Consolidated Technology Services and Rationalization

In light of these interconnections, some obvious and others, I am sure, not even apparent to me today, we should not be thinking of IT infrastructure management consolidation as focused solely or even primarily upon simply merging two existing data centers into a single, larger data center. That is too modest an objective, and not one that will yield the desired improvements.

Instead, we need to recognize that, with the merger of Teale and HSSDC, we have the opportunity fundamentally to change and improve the way we acquire, manage, develop and deploy common information technology systems throughout the Executive Branch of government. We are not just getting a bigger data center, but creating a consolidated technology service provider or center within State government.

If we do this the right way, it gives us the opportunity to rationalize the business functions performed by literally scores of State departments, including the data centers. As a general matter, organizations should focus

their resources on performing their core business functions. When it comes to information technology, there are precious few departments that can or should have IT as a core business activity. Yet during the 1990's, virtually every department in California government has been forced to become something of an expert in acquiring and managing much of its computing environment, particularly when it comes to desktops and servers.

In the long term, this is a misallocation of responsibility. It distracts departments from their core business functions. It denies the State the opportunity to leverage its expertise and purchasing power. And it makes it very difficult, if not impossible, to pursue a common strategic vision for moving the State's information technology program forward.

It is of course not necessary or appropriate for all departments to have everything managed by a data center. Departments have varying levels of in-house IT expertise, and IT is closer to a core business purpose and strength in some departments than in others. Moreover, some departments have particularly unusual, business-specific IT needs where reliance upon a general purpose service provider would neither be cost-effective nor result in an appropriate level of service. But that is going to be the exceptional case, because most information technology infrastructure has become essentially fungible, and commonalities typically overwhelm differences.

Doing IT Better

Now I have said several times that we should not think of this effort as just the consolidation of two data centers. In my view, we need to do more than just create a bigger data center. We need to use this reorganization as an opportunity to do it differently and do it better. We need to create an organization that can respond to departmental business needs as quickly and flexibly as a private sector service provider. We need to ensure that the consolidation results in a Department of Technology Services whose rates and service levels are competitive with the private sector. If we fail to achieve those benchmarks, that will be a sure sign that we have failed to secure the real cost-efficiencies and service level improvements that we are seeking. So we have to challenge ourselves, and departments should be challenging us, to provide in a Department of Technology Services a superior level of services at competitive prices.

As we decide on the details of consolidation, we must always remember that data center consolidation is an integral step in the pursuit of more effective, efficient, and secure use of technology to enable the operations of the State of California. As a result, the data center consolidation activity must yield an organization that will be a catalyst for improvements in the manner in which information technology assets are procured, organized, and supported. This represents a significant change to the business model of existing data center and departmental IT operations.

Consistent with successful efforts at other state, local, and federal government entities, the proposed reforms should simplify processes and improve accountability of results. In particular, mechanisms should be identified for determining the delineation of responsibilities between centralized and decentralized IT organizations, including the manner in which each should be funded and governed.

Evaluation of Consolidation

Finally, to effectively evaluate the proposed reforms, I would expect that at the end of consolidation, which we need to recognize is a multi-year process, we'd have positive answers to the following questions:

1. Has the total cost of computing operations for the State gone down?
2. Has the State become more agile in responding to the business needs of its governmental departments and the needs of its citizens and businesses?
3. Have we enhanced the confidentiality, integrity, and availability of information assets within the State?
4. Have we ensured the accountability of decision makers and organizations for IT in the State?

Conclusion

I look forward to hearing testimony from other interested stakeholders about how to achieve a successful consolidation of our two general purpose data centers and how to create out of that consolidation a center of excellence in the State's IT program. Thank you Mr. Chairman.